

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF MANCHESTER	County WASHTENAW
Audit Date 6/30/05	Opinion Date 12/21/05	Date Accountant Report Submitted to State: 12/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

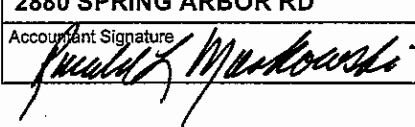
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs'			
Street Address 2880 SPRING ARBOR RD		City JACKSON	State MI
Accountant Signature 		ZIP 49203	
		Date	

VILLAGE OF MANCHESTER
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2005

VILLAGE OF MANCHESTER
FINANCIAL STATEMENTS
JUNE 30, 2005

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MARKOWSKI & COMPANY

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MEMBERS:
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Manchester
Washtenaw County, Michigan

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of the Village of Manchester, Michigan, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Village of Manchester at June 30, 2005, and the changes in financial position and cash flows, where applicable, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basis financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Village Council
Village of Manchester
Washtenaw County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The combining and individual fund statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY, CPAs
December 21, 2005

Management's Discussion and Analysis

Using this Annual Report

As management of the Village of Manchester, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of the Village of Manchester for the fiscal year ended June 30, 2005.

The Village of Manchester implements for the second year the Governmental Accounting Standards Board Statement No. 34 reporting requirement. Known as GASB 34, this reporting requirement includes management's discussion and analysis of Village finances. This includes a comparative analysis between the current year and the prior year financial information.

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village as a Whole

The Village has combined net assets of \$8,381,204. A substantial portion of the Village's net assets (45%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure such as water and sewer lines and roads and streets); less any related debt used to acquire those assets still outstanding.

Using the GASB 34 Model the total net assets for the Village of Manchester increased \$1,218,920 (17%) in 2005 over the 2004 report. This increase was mainly due to the construction of a new street to serve the new high school, along with water and sewer line additions and improvements. Other governmental entities paid for most of these improvements with capital contributions. The Village's only direct costs being the cost of personal services managing the projects. The increase in current assets and current liabilities are project costs associated with the aforementioned construction, to be paid by others, when the projects become complete.

Governmental activities net assets were increased due to the installment agreement pay off of the sale of the old Village Hall. The principle and interest of \$193,000 were transferred into the Public Improvement Fund to be used for future capital improvement projects.

In a condensed format, the following table shows net assets as of June 30, 2005:

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 2,582,159	\$ 1,942,396	\$ 2,181,934	\$ 2,438,344	\$ 4,764,093	\$ 4,380,740
Noncurrent Assets	2,896,355	2,219,690	5,253,084	4,981,661	8,149,439	7,201,351
Total Assets	5,478,514	4,162,086	7,435,018	7,420,005	12,913,532	\$ 11,582,091
Current Liabilities	691,936	274,014	351,110	308,119	1,043,046	582,133
Long-Term Debt Outstanding	1,035,000	1,098,392	2,454,282	2,739,282	3,489,282	3,837,674
Total Liabilities	1,726,936	1,372,406	2,805,392	3,047,401	4,532,328	4,419,807
Net Assets						
Invested in Capital Assets -						
Net of Related Debt	1,797,808	924,845	1,995,365	1,433,084	3,793,173	2,357,929
Restricted for Debt Service	103,018	105,392	367,002	561,655	470,020	667,047
Unrestricted	1,850,752	1,759,443	2,267,259	2,377,865	4,118,011	4,137,308
Total Net Assets	\$ 3,751,578	\$ 2,789,680	\$ 4,629,626	\$ 4,372,604	\$ 8,381,204	\$ 7,162,284

Management's Discussion and Analysis

In a condensed format, the following table shows the changes of the net assets as of June 30, 2005:

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for Services	\$ 143,038	\$ 165,984	\$ 519,591	\$ 509,353	\$ 662,629	\$ 675,337
Operating grants and Contributor	203,286	212,129	-	-	203,286	212,129
Capital grants and Contributions	1,035,396	361,041	502,535	910,879	1,537,931	1,271,920
General Revenues						
Property Taxes	613,850	607,558	-	-	613,850	607,558
State-Shared Revenues	216,742	218,319	-	-	216,742	218,319
Interest Income	32,796	21,803	49,208	20,097	82,004	41,900
Franchise Fees	19,832	18,993	-	-	19,832	18,993
Other Income	14,484	15,235	7,793	5,869	22,277	21,104
Total Revenues	2,279,424	1,621,062	1,079,127	1,446,198	3,358,551	3,067,260
Program Expenses						
Legislative	91,644	88,183	-	-	91,644	88,183
General Government	366,525	392,670	-	-	366,525	392,670
Public Safety	357,793	342,419	-	-	357,793	342,419
Public Works	260,128	305,215	-	-	260,128	305,215
Recreational and Cultural	42,610	51,385	-	-	42,610	51,385
Interest on Long Term Debt	62,963	68,363	-	-	62,963	68,363
Depreciation	135,863	-	-	-	135,863	-
Water and Sewer	-	-	822,106	793,801	822,106	793,801
Total Expenses	1,317,526	1,248,235	822,106	793,801	2,139,632	2,042,036
Change in Net Assets	\$ 961,898	\$ 372,827	\$ 257,021	\$ 652,397	\$ 1,218,919	\$ 1,025,224

Special Note

The Village of Manchester had a difficult year, tragically losing a long time employee. Waste Water Treatment Plant Superintendent Louis Leeson passed away after a short illness. Louis was a wonderful person and co-worker who dedicated over 30 years of service to the Village of Manchester. He will be missed.

Government Activities

The village administration and management has taken actions to reduce expenditures in order to balance its budget. The Village does have room to increase its millage for tax revenues but has chosen not to do so. Tax revenue increased only about 1% with state shared revenue remaining flat. The increase in revenue came from the receipt of the pay off of the installment agreement of the old Village hall along with contributed capital from developers and other governmental entities for street additions. While the Village has been able to hold the line or reduce costs in general government and public works while not reducing services, this policy becomes increasingly difficult every year. Public Safety costs are increasing by 6% per year and taking a larger portion of the budget. This cost of service is being addressed and will be the largest cost to bring under control over the next few years.

Business Type Activities

The Village's business-type activities consist of its Water and Sewer funds. Under GASB 34 accounting net assets increased by \$257,021. This was mainly due to contributed capital from residential developers installing new water and sewer lines. Water and Sewer rates will need to be reevaluated again starting in the year 2006 due to the increasing costs of service and a reduction in usage from our industrial base due to plant closings.

Management's Discussion and Analysis

The Village's Funds

The fund financial statements provide a more detailed analysis of the Village's operations, which is focused primarily on the current use of available resources. The Village maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, related to the general governmental activities for the Village, which is financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance increased by \$29,741. Total revenues increased by \$127,229 primarily from the payoff of and installment agreement resulting from the sale of the old Village hall. Expenditures increased by \$32,062 primarily from increased operating costs.

The Water and Sewer Funds are used to account for business-like activities provided to the Village's residents. The Village charges for water and sewer service and other related goods and services. Net Assets increased by \$257,021 primarily a result of capital contributions to construct additional infrastructure. Operating revenues increased by \$10,238 due to increased connection fees, and operating expenses increased \$26,989 primarily from increased depreciation and other operating expenses.

The Village maintains several Special Revenue Funds to account for resources set aside for specific purposes as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity. Principally among these funds are the Major and Local Street funds used to account for Village roads and street activity.

The Major Street Fund's fund balance increased by \$815 and the Local Street Fund's fund balance increased by \$2,959 as both funds remained financially stable. Revenues and expenditures increased significantly during the year due to contributions from other governmental entities for construction and improvements of major and local streets.

General Fund Budgetary Highlights

The original budget adopted for the Village's General Fund projected a \$13,695 increase in fund balance. As the year progressed, and actual events took place an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$33,385 decrease in fund balance as changes were made as needed.

Administration correctly anticipated flat revenues and state shared revenues while also receiving more investment income, franchise fees, and Metro 48 monies. Due to this and holding off on the ordinance codification (\$18,000) the Village was able to add \$30,000 to its fund balance. Some items were done in house such as the Manchester Dam Emergency Plan and the expansion of the Village Council chambers, which resulted in additional cash savings. While decreasing costs, the administration was proud to maintain all service levels.

Capital Asset and Debt Administration

The Village continues to maintain and improve the sewer and water infrastructure, street systems, fleets of vehicles and buildings and grounds while maintaining and meeting all of its debt obligations. The only remaining capital lease will be paid off in fiscal 2005/2006 and payments on all other bonds are being made as scheduled. Many capital additions have been mentioned throughout this report. In addition the Wastewater Treatment Plant and two accessory structures were roofed. Technology systems were also upgraded by adding a network server.

Management's Discussion and Analysis

Capital Asset and Debt Administration (Continued)

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and land improvements	\$ 158,032	\$ 30,005	\$ 188,037
Distribution and collection system	-	4,636,352	4,636,352
Buildings and equipment	1,589,140	68,290	1,657,430
Infrastructure	1,149,183	-	1,149,183
	<u>\$ 2,896,355</u>	<u>\$ 4,734,647</u>	<u>\$ 7,631,002</u>

At the end of the year the Village had total debt outstanding of \$3,837,672.

Economic Factors and Next Year's Budgets and Rates

Village administration is anticipating a challenging 2005/2006 budget year. As taxes remain flat and further cuts in state shared revenues loom, the Village will draw on funds that are available because of sound management practices in the last several years. When the local economy was in good shape, conservative and sustainable expansion was initiated so that in these less fortunate times there are fund balances to draw upon to maintain the level of service to the community.

One of the areas of ongoing concern is the uncertainty of additional cost that Washtenaw County is planning on passing to the Village through its police protection contracts. Village administration is highly involved in planning and coordinating policing plans to control costs while maintaining the high level of protection the residents expect.

This is not to say that the Village will not make great strides in this next fiscal year. The Downtown Development Authority is aggressively working to plan the viability of the commercial district. A Historic District Study Committee is identifying valuable historic assets and working to protect them. The Village ordinance recodification process continues into the year and the five-year master plan for the Village park systems will be completed. The Village is coordinating efforts with a community group to secure funding for a new play structure.

Village infrastructure and equipment will also see improvement this year. The Village has secured \$880,000 to help fund a \$1.1 million dollar reconstruction project on Hibbard Street. A new emergency generator is being purchased for the Water Treatment Plant and a new dump truck and pickup have been ordered with savings from the Village equipment fund.

These projects will all be completed without raising the Village millage rates.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Manager at 912 City Road, Manchester, MI 48158.

VILLAGE OF MANCHESTER
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,335,617	\$ 1,546,451	\$ 2,882,068
Investments	600,000	400,000	1,000,000
Accounts receivable	535,457	158,765	694,222
Due from other governments	91,397	-	91,397
Internal balances	(52,548)	52,548	-
Prepaid expenses	72,236	6,738	78,974
Inventory	-	17,432	17,432
Notes receivable - current	-	69,308	69,308
Total current assets	<u>2,582,159</u>	<u>2,251,242</u>	<u>4,833,401</u>
NONCURRENT ASSETS			
Land and land improvements	238,807	30,005	268,812
Distribution and collection system	-	7,707,801	7,707,801
Buildings and equipment	2,425,279	165,628	2,590,907
Infrastructure	1,182,209	-	1,182,209
Less - Accumulated depreciation	(949,940)	(3,168,787)	(4,118,727)
Net property and equipment	<u>2,896,355</u>	<u>4,734,647</u>	<u>7,631,002</u>
Notes receivable	-	346,538	346,538
Deferred charges	-	102,591	102,591
Total noncurrent assets	<u>2,896,355</u>	<u>5,183,776</u>	<u>8,080,131</u>
Total assets	<u>5,478,514</u>	<u>7,435,018</u>	<u>12,913,532</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	581,551	23,618	605,169
Accrued interest payable	10,067	35,847	45,914
Accrued payroll	6,661	6,645	13,306
Accrued leave payable	24,767	-	24,767
Deposits	5,500	-	5,500
Bonds, notes, and loans payable	63,390	285,000	348,390
Total current liabilities	<u>691,936</u>	<u>351,110</u>	<u>1,043,046</u>
NONCURRENT LIABILITIES			
Bonds, notes, and loans payable	<u>1,035,000</u>	<u>2,454,282</u>	<u>3,489,282</u>
Total liabilities	<u>1,726,936</u>	<u>2,805,392</u>	<u>4,532,328</u>
NET ASSETS			
Invested in capital assets - net of related debt	1,797,808	1,995,365	3,793,173
Restricted for debt service	103,018	367,002	470,020
Unrestricted	1,850,752	2,267,259	4,118,011
Total net assets	<u>\$ 3,751,578</u>	<u>\$ 4,629,626</u>	<u>\$ 8,381,204</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 91,644	\$ -	\$ -	\$ -
General government	366,525	110,290	-	106,611
Public safety	357,793	8,244	-	-
Public works	260,128	22,647	153,269	928,785
Recreational and cultural	42,610	1,857	50,017	-
Interest on long-term debt	62,963	-	-	-
Depreciation	135,863	-	-	-
Total governmental activities	1,317,526	143,038	203,286	1,035,396
Business-type activities				
Water and sewer	822,106	519,591	-	502,535
Total government	\$ 2,139,632	\$ 662,629	\$ 203,286	\$ 1,537,931

General revenues
Property taxes
State-shared revenues
Interest income
Franchise fees
Other income
Total general revenues

Change in net assets
Net assets - Beginning
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (91,644)	\$ -	\$ (91,644)
(149,624)	-	(149,624)
(349,549)	-	(349,549)
844,573	-	844,573
9,264	-	9,264
(62,963)	-	(62,963)
(135,863)	-	(135,863)
64,194	-	64,194
-	200,020	200,020
64,194	200,020	264,214
613,850	-	613,850
216,742	-	216,742
32,796	49,208	82,004
19,832	-	19,832
14,484	7,793	22,277
897,704	57,001	954,705
961,898	257,021	1,218,919
2,789,680	4,372,605	7,162,285
\$ 3,751,578	\$ 4,629,626	\$ 8,381,204

VILLAGE OF MANCHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 359,690	\$ 140,034	\$ 30,971	\$ 557,578	\$ 1,088,273
Investments	400,000	200,000	-	-	600,000
Accounts receivable	40,577	442,295	-	-	482,872
Prepaid expenses	49,267	3,902	7,022	2,994	63,185
Due from other funds	114,069	1,871	56,261	87,404	259,605
Due from other governments	66,605	17,784	7,008	-	91,397
Advances to other funds	5,000	-	-	-	5,000
Total assets	\$ 1,035,208	\$ 805,886	\$ 101,262	\$ 647,976	\$ 2,590,332
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 70,486	\$ 487,528	\$ 9,078	\$ 3,837	\$ 570,929
Accrued interest payable	10,067	-	-	-	10,067
Accrued payroll	4,672	932	-	728	6,332
Due to other funds	4,412	198,721	15,041	57,080	275,254
Deposits	5,500	-	-	-	5,500
Total liabilities	95,137	687,181	24,119	61,645	868,082
FUND BALANCES					
Fund balances - Reserved					
for debt service	103,018	-	-	-	103,018
Fund balances - Unreserved	837,053	118,705	77,143	586,331	1,619,232
Total fund balances	940,071	118,705	77,143	586,331	1,722,250
Total liabilities and fund equity	\$ 1,035,208	\$ 805,886	\$ 101,262	\$ 647,976	\$ 2,590,332

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balance - total governmental funds	\$ 1,722,250
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of the Internal Service Fund.	2,896,355
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	256,130
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet. Includes Internal Service Funds' non-current liabilities.	(1,098,390)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(24,767)</u>
Net assets of governmental activities	<u><u>\$ 3,751,578</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	GENERAL FUND	MAJOR STREET	LOCAL STREET	OTHER GOVERNMENT FUNDS	TOTAL
REVENUES:					
Taxes and penalties	\$ 720,461	\$ -	\$ -	\$ 172,423	\$ 892,884
Franchise fee	19,832	-	-	-	19,832
Licenses and permits	1,965	-	-	-	1,965
Fees and fines	8,244	-	-	-	8,244
Intergovernmental	216,742	109,950	43,319	-	370,011
Charges for services	57,345	-	-	-	57,345
Rental income	48,968	-	-	-	48,968
Interest income	24,144	-	-	5,981	30,125
Other revenue	140,822	795,316	13,871	660	950,669
Total revenues	<u>1,238,523</u>	<u>905,266</u>	<u>57,190</u>	<u>179,064</u>	<u>2,380,043</u>
EXPENDITURES:					
Current:					
Legislative	91,644	-	-	-	91,644
General government	366,940	-	-	-	366,940
Public safety	357,793	-	-	-	357,793
Public works	88,282	988,951	125,431	151	1,202,815
Recreational & cultural	-	-	-	44,259	44,259
Capital outlay	3,160	-	-	-	3,160
Debt service	107,963	-	-	-	107,963
Total expenditures	<u>1,015,782</u>	<u>988,951</u>	<u>125,431</u>	<u>44,410</u>	<u>2,174,574</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>222,741</u>	<u>(83,685)</u>	<u>(68,241)</u>	<u>134,654</u>	<u>205,469</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	84,500	71,200	193,000	348,700
Operating transfers (out)	(193,000)	-	-	(155,700)	(348,700)
Total other financing sources (uses)	<u>(193,000)</u>	<u>84,500</u>	<u>71,200</u>	<u>37,300</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>29,741</u>	<u>815</u>	<u>2,959</u>	<u>171,954</u>	<u>205,469</u>
FUND BALANCE - Beginning of year	<u>910,330</u>	<u>117,890</u>	<u>74,184</u>	<u>414,377</u>	<u>1,516,781</u>
FUND BALANCE - End of year	<u>\$ 940,071</u>	<u>\$ 118,705</u>	<u>\$ 77,143</u>	<u>\$ 586,331</u>	<u>\$ 1,722,250</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTERReconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.

Year ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 205,469
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	922,921
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Funds depreciation expense.	(88,157)
The Internal Service Fund is used by management to charge the cost of equipment to individual funds. The net revenue of the Internal Service Fund are included in governmental activities.	10,584
Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	(4,113)
Revenue from installment sale is reported in the governmental funds, the gain on sale would be recognized in prior years in the statement of activities.	(129,806)
The payments of long term debt consumes the current financial resources of governmental funds. The amount of the effect of this in the statement of activities.	<u>45,000</u>
Change in net assets of governmental activities	<u>\$ 961,898</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

<u>ASSETS</u>	<u>ENTERPRISE FUNDS</u>			<u>INTERNAL SERVICE FUND</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	
CURRENT ASSETS:				
Cash and cash equivalents	\$ 627,452	\$ 918,999	\$ 1,546,451	\$ 247,344
Investments	-	400,000	400,000	-
Accounts receivable	26,412	40,424	66,836	510
Prepaid expenses	4,117	2,621	6,738	9,051
Due from other funds	105,266	63,470	168,736	10,176
Inventory	17,432	-	17,432	-
Total current assets	<u>780,679</u>	<u>1,425,514</u>	<u>2,206,193</u>	<u>267,081</u>
NONCURRENT ASSETS				
Land	3,005	27,000	30,005	-
Construction in progress	-	-	-	-
Distribution and collection system	1,877,336	5,830,465	7,707,801	-
Buildings and equipment	25,368	140,260	165,628	519,814
Less - Accumulated depreciation	(321,728)	(2,847,059)	(3,168,787)	(461,488)
Net property and equipment	<u>1,583,981</u>	<u>3,150,666</u>	<u>4,734,647</u>	<u>58,326</u>
Special assessment receivable	391,140	24,706	415,846	-
Deferred charges:				
Unamortized bond discount	2,562	-	2,562	-
Unamortized bond issuance costs	13,918	42,935	56,853	-
Deferred refunding loss	-	43,176	43,176	-
Total noncurrent assets	<u>1,991,601</u>	<u>3,261,483</u>	<u>5,253,084</u>	<u>58,326</u>
Total assets	<u>2,772,280</u>	<u>4,686,997</u>	<u>7,459,277</u>	<u>325,407</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	6,913	16,705	23,618	10,622
Accrued interest payable	5,381	30,466	35,847	-
Accrued payroll	1,368	5,277	6,645	329
Due to other funds	18,198	6,061	24,259	-
Bonds, notes, and loans payable	100,000	185,000	285,000	13,390
Total current liabilities	<u>131,860</u>	<u>243,509</u>	<u>375,369</u>	<u>24,341</u>
NONCURRENT LIABILITIES:				
Bonds, notes, and loans payable	810,000	1,644,282	2,454,282	-
Total liabilities	<u>941,860</u>	<u>1,887,791</u>	<u>2,829,651</u>	<u>24,341</u>
NET ASSETS:				
Invested in capital assets - net of related debt	673,981	1,321,384	1,995,365	44,936
Restricted for debt service	110,829	256,173	367,002	-
Unrestricted	1,045,610	1,221,649	2,267,259	256,130
Total net assets	<u>\$ 1,830,420</u>	<u>\$ 2,799,206</u>	<u>\$ 4,629,626</u>	<u>\$ 301,066</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER	SEWER	TOTAL	
OPERATING REVENUES:				
Charges for services	\$ 175,934	\$ 277,157	\$ 453,091	\$ 117,774
Connection fees	17,200	49,300	66,500	-
Total operating revenues	193,134	326,457	519,591	117,774
OPERATING EXPENSES:				
Personal services	84,067	148,412	232,479	16,010
Chemicals	1,425	3,747	5,172	-
Operating supplies	16,039	28,310	44,349	19,243
Postage	970	1,131	2,101	-
Purchased services	10,263	65,308	75,571	704
Permits and fees	-	1,950	1,950	-
Utilities	10,200	25,574	35,774	-
Training, education and seminars	-	400	400	-
Memberships	380	-	380	-
Repairs and maintenance	7,907	2,636	10,543	14,753
Insurance	4,141	2,635	6,776	9,102
Printing	564	447	1,011	-
Allocation of equipment costs	12,042	14,416	26,458	-
Maintenance agreements	997	3,624	4,621	441
Depreciation	44,052	191,392	235,444	47,706
Total operating expenses	193,047	489,982	683,029	107,959
OPERATING INCOME	87	(163,525)	(163,438)	9,815
NON-OPERATING REVENUES (EXPENSES):				
Interest income	22,524	26,684	49,208	2,671
Collection of tax assessments	40,669	206,840	247,509	-
Other income	5,393	2,400	7,793	-
Interest expense	(22,504)	(98,031)	(120,535)	(1,902)
Miscellaneous expense	(472)	(1,366)	(1,838)	-
Amortization of bond issuance costs	(2,213)	(2,739)	(4,952)	-
Total non-operating revenues (expenses)	43,397	133,788	177,185	769
Income (loss) before contributions and extraordinary (loss) from defeased debt	43,484	(29,737)	13,747	10,584
CAPITAL CONTRIBUTIONS	15,188	239,838	255,026	-
EXTRAORDINARY (LOSS) - From defeased debt	-	(11,752)	(11,752)	-
Change in net assets	58,672	198,349	257,021	10,584
TOTAL NET ASSETS - Beginning of year	1,771,748	2,600,857	4,372,605	290,482
TOTAL NET ASSETS - End of year	\$ 1,830,420	\$ 2,799,206	\$ 4,629,626	\$ 301,066

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
PROPRIETARY FUND STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND
	WATER FUND	SEWER FUND	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 211,585	\$ 368,775	\$ 580,360	\$ 121,109
Payments to suppliers	(58,425)	(146,429)	(204,854)	(34,732)
Payments to employees	(84,369)	(146,027)	(230,396)	(16,080)
Cash paid to other funds	(84,097)	(125,668)	(209,765)	-
			-	
Net cash provided (used) by operating activities	(15,306)	(49,349)	(64,655)	70,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from special assessments	7,740	494	8,234	-
Capital contributions	10,428	239,838	250,266	-
Purchase of capital assets	(276,986)	(270,739)	(547,725)	(18,128)
Principal and interest paid on capital debt	(98,548)	(275,537)	(374,085)	(24,836)
Other receipts (payments)	45,590	207,874	253,464	-
			-	
Net cash provided (used) by capital and related financing activities	(311,776)	(98,070)	(409,846)	(42,964)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	13,480	26,107	39,587	2,671
Net cash provided by investing activities	13,480	26,107	39,587	2,671
			-	
Net increase (decrease) in cash and cash equivalents	(313,602)	(121,312)	(434,914)	30,004
			-	
Balances - beginning of year	941,054	1,440,311	2,381,365	217,340
			-	
Balances - end of year	\$ 627,452	\$ 1,318,999	\$ 1,946,451	\$ 247,344
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 87	\$ (163,525)	\$ (163,438)	9,815
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	44,052	191,392	235,444	47,706
Change in assets and liabilities				
Receivables - net	18,451	42,318	60,769	(363)
Prepaid expenses	25	14	39	51
Due from other funds	(71,645)	(58,693)	(130,338)	3,698
Inventories	755	-	755	-
Accounts and other payables	5,723	3,735	9,458	9,460
Due to other funds	(12,452)	(66,975)	(79,427)	-
Accrued expenses	(302)	2,385	2,083	(70)
Net cash provided by operating activities	\$ (15,306)	\$ (49,349)	\$ (64,655)	\$ 70,297

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>EMPLOYEE INSURANCE FUND</u>	<u>SICK PAY BENEFIT FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 39,524	\$ 48,424	\$ 20,169
Accounts receivable	-	-	126,990
Due from other funds	-	-	95
	<hr/>	<hr/>	<hr/>
Total assets	39,524	48,424	147,254
	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>			
Accounts payable	-	-	3,155
Accrued leave time	-	20,307	-
Due to other funds	-	-	139,099
Advances from other funds	-	-	5,000
	<hr/>	<hr/>	<hr/>
Total liabilities	-	20,307	\$ 147,254
	<hr/>	<hr/>	<hr/>
<u>NET ASSETS</u>			
Held in trust for employee benefits	\$ 39,524	\$ 28,117	
	<hr/>	<hr/>	

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

	EMPLOYEE INSURANCE FUND	SICK PAY BENEFIT FUND
	<u> </u>	<u> </u>
ADDITIONS		
Employer contributions	\$ 9,643	\$ 1,704
Interest income	606	918
Total additions	<u>10,249</u>	<u>2,622</u>
DEDUCTIONS		
Benefits	<u>12,692</u>	<u>-</u>
Change in net assets	(2,443)	2,622
Net assets - beginning of year	<u>41,967</u>	<u>25,495</u>
Net assets - end of year	<u><u>\$ 39,524</u></u>	<u><u>\$ 28,117</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

VILLAGE OF MANCHESTER
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JUNE 30, 2005

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VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The accounting methods and procedures adopted by the Village of Manchester conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by the Village of Manchester.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS -

The Village of Manchester was organized in 1874 and is located in the southwestern portion of Washtenaw County. The Village operates under an elected Village Council and provides services to more than 2,000 residents. These services include law enforcement, water and sewer, and community enrichment and development.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of the Village of Manchester include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Village, such as the school district, are not included in the financial statements of the Village.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Village of Manchester. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Village reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Village reports the following nonmajor funds:

The Municipal Street Fund accounts for resources received from special assessment taxes levied for street purposes by making contributions to the Major and Local street funds.

The Parks and Recreation Fund accounts for resources received from special assessment taxes levied for the purpose of operating and maintaining the Village's parks and recreational activities.

The Public Improvement Fund accounts for resources received from the general fund earmarked for public improvements.

The Village reports the following major proprietary funds:

The Water and Sewer Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Additionally, the Village reports the following fund types:

The Equipment Internal Service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

The Village reports the following Fiduciary Funds (not included in government-wide financial statements)

Expendable Trust Funds are funds whose entire resources, principal and income, may be expended in the course of their designated operations. The Village has two expendable trust funds:

The Employee Insurance Fund accounts for resources contributed by the general fund to reimburse Village employees for dental, prescription, and optical charges which they incur.

The DPW Benefit Fund accounts for resources set aside to pay employees accumulated leave time when they leave employment.

Agency funds account for assets held by the Village in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations. The agency funds are as follows:

The Payroll Fund accounts for taxes and other employee deductions which are to be distributed to organizations and other government units.

The Tax Revenue Fund accounts for property tax collections to be distributed to various Village funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments and (4) property taxes levied to pay debt. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. CASH AND CASH EQUIVALENTS -

The Village has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in government pooled accounts. Because these accounts have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements.

F. RECEIVABLES -

The Village of Manchester records various receivables which are listed and described as follows:

- 1) Accounts Receivable - This account is for charges for services which have been billed but not yet received in both the Governmental and Proprietary Fund Types, and for amounts due from fiduciary funds as of June 30, 2005.
- 2) Due From Other Governments - This account is for amounts due from the State of Michigan for State shared revenue in the General Fund, and Fuel Tax revenues in the Major and Local Street Funds. This account is also for amounts due from Washtenaw County for delinquent property taxes in the Tax Revenue Trust and Agency Fund.
- 3) Special Assessment Receivables - This account is for special assessment district for water and sewer expansion to the current distribution and collection system.

G. INVENTORIES -

Inventories are valued at the lower of cost or market. The inventories in the Water and Sewer Enterprise Funds consist of parts and supplies which are available to be sold or used by the Village.

H. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

I. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

I. CAPITAL ASSETS – (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Water and Sewer lines	30 to 50 years
Roads	10 to 30 years
Vehicles and equipment	3 to 7 years

J. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. ACCUMULATED UNPAID LEAVE PAY -

It is the Village's policy to permit employees to accumulate earned but unused leave time. Accumulated at June 30, 2005, the liability included approximately \$24,767 unpaid leave pay benefits reported in the governmental funds. All leave pay is accrued when incurred in the government-wide and fiduciary fund financial statements.

L. LONG-TERM OBLIGATIONS -

In the government wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

M. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY: (Continued)

BUDGET VIOLATIONS -

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
GENERAL FUND			
Village council	\$ 91,500	\$ 91,644	\$ (144)
Parking lots	-	1,801	(1,801)
Police administration	343,700	345,390	(1,690)
	<u>\$ 435,200</u>	<u>\$ 438,835</u>	<u>\$ (3,635)</u>
MAJOR STREET FUND			
Street construction	\$ 97,100	\$ 889,625	\$ (792,525)
Street maintenance	47,100	48,237	(1,137)
	<u>\$ 144,200</u>	<u>\$ 937,862</u>	<u>\$ (793,662)</u>
LOCAL STREET FUND			
Street construction	\$ 16,500	\$ 30,251	\$ (13,751)
Street maintenance	48,300	48,972	(672)
Total	<u>\$ 64,800</u>	<u>\$ 79,223</u>	<u>\$ (14,423)</u>
PARKS AND RECREATION FUND			
Operating supplies	\$ 5,700	\$ 9,216	(3,516)
Electricity	700	748	(48)
	<u>\$ 6,400</u>	<u>\$ 9,964</u>	<u>\$ (3,564)</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - PROPERTY TAXES:

Real and personal property taxes are levied on each July 1st on the property located in the Village as of the preceding December 31, the lien date. These taxes are due to the Village by the last day of the following September. Real property taxes not paid by this date are considered delinquent, and are sent over to Washtenaw County for collection. Delinquent real property taxes are paid to the Village by Washtenaw County, therefore the General Fund reflects as revenue the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected.

The Village's operating tax rate is currently 15.2806 mills and is distributed as follows:

General Operation	8.2455
Water Systems	0.5023
Highways and Streets	1.6451
Parks and Recreation	0.6722
Debt Service	<u>4.2155</u>
	<u>15.2806</u>

The taxable value of real and personal property located in the Village was \$79,609,509.

NOTE 4 - CASH AND INVESTMENTS:

The Village Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Village.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – CASH AND INVESTMENTS: (CONTINUED)

Cash and cash equivalents of the Village can be categorized as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 225	\$ -
Insured (FDIC)	100,000	100,000
Uninsured and uncollateralized	2,889,960	2,899,817
	<u>\$ 2,990,185</u>	<u>\$ 2,999,817</u>
Reported in financial statements:		
Governmental funds	\$ 1,335,617	
Proprietary funds (Business-type)	1,546,451	
Fiduciary funds	108,117	
	<u>\$ 2,990,185</u>	

The Village has invested cash in excess of current requirements in governmental pooled investment funds and certificates of deposit which are allowable under State Law.

Investments of the Village can be categorized as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured and uncollateralized	800,000	800,000
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Reported in financial statements:		
Governmental funds	\$ 600,000	
Business-type funds	400,000	
	<u>\$ 1,000,000</u>	

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Village minimizes this risk by investing in shorter term securities and holding them to maturity.

Concentration of Credit Risk

The Village's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – CASH AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Village will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2005, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Major Street	\$ 67,622
	-	Local Street	859
	-	Parks	380
	-	Operational Clearing	7,999
	-	Sewer	3,511
	-	Water	1,362
	-	Equipment	153
	-	Tax Revenues	32,183
	<u>114,069</u>		<u>114,069</u>
Major	-	General	71
	-	Local Street	1,800
	<u>1,871</u>		<u>1,871</u>
Local Street	-	General	61
	-	Municipal Street	56,200
	<u>56,261</u>		<u>56,261</u>
Municipal Street	-	Major Street	80,500
	-	Tax Revenues	4,958
	<u>85,458</u>		<u>85,458</u>
Parks & Recreation	-	General	11
	-	Tax Revenues	1,935
	<u>1,946</u>		<u>1,946</u>
Subtotal	<u>259,605</u>		<u>259,605</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES: (CONTINUED)

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
Carryover	<u>259,605</u>		<u>259,605</u>
Water	-	General	1,933
	-	Major Street	7,112
	-	Local Street	9,339
	-	Sewer	75
	-	Tax collection	86,807
	<u>105,266</u>		<u>105,266</u>
Sewer	-	General	193
	-	Major Street	41,634
	-	Tax Revenues	5,216
	-	Water	16,427
	<u>63,470</u>		<u>63,470</u>
Equipment	-	General Fund	1,990
	-	Major Street	1,853
	-	Local Street	3,043
	-	Parks	500
	-	Sewer	2,394
	-	Water	396
	<u>10,176</u>		<u>10,176</u>
Payroll	-	Sewer	82
	-	Water	13
	<u>95</u>		<u>95</u>
Total	<u>\$ 438,612</u>	Total	<u>\$ 438,612</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Capital asset activity of the Village of Manchester for the current year was as follows:

	07/01/04	INCREASES	DECREASES	06/30/05
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 79,901	\$ -	\$ -	\$ 79,901
Construction in progress	192,999	-	192,999	-
Subtotal	272,900	-	192,999	79,901
Capital assets being depreciated				
Buildings	1,782,366	-	-	1,782,366
Improvements other than buildings	158,906	-	-	158,906
Machinery and equipment	621,625	21,288	-	642,913
Infrastructure	69,450	1,112,760	-	1,182,210
Subtotal	2,632,347	1,134,048	-	3,766,395
Less accumulated depreciation for				
Buildings	249,914	42,550	-	292,464
Improvements other than buildings	73,227	7,548	-	80,775
Machinery and equipment	489,201	54,474	-	543,675
Infrastructure	1,736	31,291	-	33,027
Subtotal	814,078	135,863	-	949,941
Net capital assets being depreciated	1,818,269	998,185	-	2,816,454
Governmental activities capital total				
Capital assets - net of depreciation	\$ 2,091,169	\$ 998,185	\$ 192,999	\$ 2,896,355

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT: (Continued)

Capital asset activity of the Village of Manchester for the current year was as follows: (Continued)

	<u>07/01/04</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/05</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 30,005	\$ -	\$ -	\$ 30,005
Construction in progress	534,182	-	534,182	-
Subtotal	<u>564,187</u>	<u>-</u>	<u>534,182</u>	<u>30,005</u>
Capital assets being depreciated				
Buildings	10,350	8,850	-	19,200
Improvements other than buildings	-	-	-	-
Machinery and equipment	146,428	-	-	146,428
Distribution and collection system	6,634,744	1,073,057	-	7,707,801
Subtotal	<u>6,791,522</u>	<u>1,081,907</u>	<u>-</u>	<u>7,873,429</u>
Less accumulated depreciation for				
Buildings	2,092	560	-	2,652
Improvements other than buildings	-	-	-	-
Machinery and equipment	80,634	14,052	-	94,686
Distribution and collection system	2,850,617	220,832	-	3,071,449
Subtotal	<u>2,933,343</u>	<u>235,444</u>	<u>-</u>	<u>3,168,787</u>
Net capital assets being depreciated	<u>3,858,179</u>	<u>846,463</u>	<u>-</u>	<u>4,704,642</u>
Governmental activities capital total				
Capital assets - net of depreciation	<u>\$ 4,422,366</u>	<u>\$ 846,463</u>	<u>\$ 534,182</u>	<u>\$ 4,734,647</u>

Depreciation expense was charged to programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	<u>\$ 135,863</u>
BUSINESS TYPE ACTIVITIES	
Water	\$ 44,052
Sewer	<u>191,392</u>
Total business type activities	<u>\$ 235,444</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - EMPLOYEES' PENSION PLAN:

The Village contributes to a defined contribution pension plan, administered by Principal Mutual Life, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Village both vest immediately. Each employee may contribute 6% to 10% of his or her gross earnings to the pension plan. The Village is required to contribute an amount equal to what each employee contributes up to 6% of the employee's gross earnings, excluding any overtime earnings. Contributions are reduced by plan Administrative charges.

During the year ending June 30, 2005, the Village's required contributions amounted to \$20,824 which was 6.00% of its current year covered payroll. Employees' contributions amounted to \$22,267 which was 6.3% of the Village's current year covered payroll.

Total payroll for the fiscal year ending June 30, 2005, was \$432,395 and total payroll subject to retirement benefits was \$351,088.

The pension plan held no securities on the Village or other related parties during the year or as of the close of the fiscal year.

NOTE 8 - DEFERRED COMPENSATION PLAN:

The Village of Manchester offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Village employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - CHANGES IN LONG-TERM DEBT:

The general long-term debt and other long-term obligations of the Village of Manchester, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 07/01/04	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/05
<u>GOVERNMENTAL ACTIVITIES</u>				
2000 General Obligation Bonds, \$1,250,000 maturing serially in annual amounts ranging from \$20,000 to \$100,000 at an interest rate of 5.5% to 5.7%	\$ 1,130,000	\$ -	\$ (45,000)	\$ 1,085,000
Equipment Internal Service Fund. Street sweeper installment purchase agreement - maturing serially in annual amounts of \$14,122 at an interest rate of 5.45%	26,092	-	(12,702)	13,390
Equipment Internal Service Fund. Dump truck installment purchase agreement - maturing serially in annual amounts of \$10,785 at an interest rate of 5.40%	10,232	-	(10,232)	-
Total governmental activities	\$ 1,166,324	\$ -	\$ (67,934)	\$ 1,098,390
<u>BUSINESS TYPE ACTIVITIES</u>				
1991 General Obligation Bonds, \$955,000 maturing serially in annual amounts ranging from \$40,000 to \$60,000 at an interest rate of 2.00%.	\$ 424,282	\$ -	\$ (50,000)	\$ 374,282
1993 Unlimited Tax General Obligation Series-A Refunding Bonds, \$1,750,000 maturing serially in annual amounts ranging from \$35,000 to \$95,000 at an interest rate ranging from 3.25% to 6.10%.	1,060,000	-	(85,000)	975,000
1993 Limited Tax General Obligation Series-B Refunding Bonds, \$765,000 maturing serially in annual amounts ranging from \$5,000 to \$50,000 at an interest rate ranging from 3.30% to 6.05%.	520,000	-	(40,000)	480,000
1998 Michigan Drinking Water Revolving Fund program bonds. \$620,000 maturing serially in annual amounts ranging from \$25,000 to \$40,000 at an interest rate of 2.5%	495,000	-	(25,000)	470,000
2004 Special assesment bonds . \$490,000 maturing serially in annual amounts ranging from \$50,000 to \$75,000 at an interest rate ranging from 2.0% to 2.7%.	490,000	-	(50,000)	440,000
	\$ 2,989,282	\$ -	\$ (250,000)	\$ 2,739,282

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 9 - CHANGES IN LONG-TERM DEBT: (Continued)

The Governmental Activities Debt Bonds were issued to finance the purchase of a new community center. Repayment of the bonds is to be made from taxes assessed. The annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 50,000	\$ 60,400
2007	50,000	57,650
2008	50,000	54,900
2009	55,000	52,150
2010	60,000	49,125
Thereafter	<u>820,000</u>	<u>275,825</u>
	<u>\$ 1,085,000</u>	<u>\$ 550,050</u>

The Business Type Bonds were issued to finance construction of the Village's Water & Sewer System. Repayment of the bonds is to be made from revenues generated by the system and from taxes assessed. The remaining annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 285,000	\$ 113,593
2007	290,000	101,999
2008	250,000	91,935
2009	260,000	83,162
2010	265,000	65,523
Thereafter	<u>1,389,282</u>	<u>356,102</u>
	<u>\$ 2,739,282</u>	<u>\$ 812,314</u>

The Governmental Activities include the Equipment Internal Service Fund installment purchase agreements were obtained to finance the purchase of new equipment. The remaining annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	<u>\$ 13,390</u>	<u>\$ 730</u>

VILLAGE OF MANCHESTER
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for claims.

NOTE 11 – JOINT VENTURE

The Western Washtenaw Construction Authority was organized in January 2000. The Authority operates under an operating agreement between the Village of Manchester and the Townships of Manchester, Freedom and Bridgewater to provide for joint enforcement and administration of construction codes. The agreement provides that if for any reason the expenditures exceed the revenues during any fiscal year, the Authority may require a contribution from the participants.

NOTE 12 – NOTES RECEIVABLE

The Village sold its old village hall in July 2002, on an installment sale. The note bears an interest rate of 8% and payments of \$968.57 including interest are due monthly. The note was paid off as of June 30, 2005.

NOTE 13 - INFRASTRUCTURE

The Village has elected to implement the capitalization of infrastructure over a three-year period as allowed under GASB 34.

VILLAGE OF MANCHESTER
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$ 793,018	\$ 910,330	\$ 910,330	\$ -
Resources (Inflows):				
Taxes -				
Current property taxes	720,895	720,895	720,461	(434)
Franchise fees	13,300	13,300	19,832	6,532
Licenses and permits	1,500	1,670	1,965	295
Fees and fines	5,700	7,500	8,244	744
Intergovernmental				
Sales tax	211,000	211,000	207,533	(3,467)
State liquor control	1,700	1,700	1,720	20
State metro act	1,500	1,500	7,489	5,989
Total	214,200	214,200	216,742	2,542
Charges for services				
Garbage pickup	53,800	53,800	57,345	3,545
Rental income	48,800	48,800	48,968	168
Interest income	16,800	14,200	24,144	9,944
Other revenue				
Reimbursements	400	2,700	9,627	6,927
Sale of property	-	129,800	129,806	6
Miscellaneous	2,200	100	1,389	1,289
Total	2,600	132,600	140,822	8,222
Amounts available for appropriation	\$ 1,870,613	\$ 2,117,295	\$ 2,148,853	\$ 31,558

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Charges to appropriations (Outflows):				
LEGISLATIVE:				
VILLAGE COUNCIL:				
Personal services	\$ -	-	\$ 81,559	\$ -
Memberships	-	-	1,741	-
Purchased services	-	-	1,630	-
Operating supplies	-	-	523	-
Printing	-	-	2,614	-
Senior citizens	-	-	1,000	-
Community Resource Center	-	-	2,000	-
Chamber of commerce	-	-	500	-
Community promotion	-	-	77	-
Total	91,500	91,500	91,644	(144)
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Personal services	-	-	103,382	-
Operating supplies	-	-	6,427	-
Postage	-	-	2,378	-
Telephone	-	-	1,503	-
Memberships	-	-	240	-
Training, education and seminars	-	-	587	-
Purchased services	-	-	13,726	-
Garbage services	-	-	53,998	-
Printing	-	-	471	-
Insurance	-	-	26,611	-
Travel	-	-	575	-
Maintenance agreements	-	-	1,336	-
Miscellaneous	-	-	4,069	-
Total	222,440	219,740	215,303	4,437
BUILDING AND GROUNDS:				
Personal services	-	-	14,758	-
Operating supplies	-	-	4,302	-
Public utilities	-	-	45,526	-
Allocation of equipment costs	-	-	13,850	-
Purchased services	-	-	50,266	-
Insurance	-	-	22,935	-
Total	151,300	160,300	151,637	8,663
Total general government	373,740	380,040	366,940	13,100

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
PUBLIC WORKS:				
PARKING LOTS:				
Personal services	\$ -	\$ -	\$ 858	\$ -
Allocation of equipment costs	-	-	943	-
Total	-	-	1,801	(1,801)
DEPARTMENT OF PUBLIC WORKS:				
Personal services	-	-	154	-
Operating supplies	-	-	3,171	-
Uniforms	-	-	4,014	-
Purchased services	-	-	425	-
Telephone	-	-	2,201	-
Memberships and training	-	-	143	-
Total	11,400	11,400	10,108	1,292
TREE REMOVAL AND REPLACEMENT:				
Personal services	-	-	1,049	-
Purchased services	-	-	2,892	-
Allocation of equipment costs	-	-	444	-
Total	13,900	11,900	4,385	7,515
SIDEWALK CONSTRUCTION:				
Personal services	-	-	1,535	-
Purchased services	-	-	1,025	-
Allocation of equipment costs	-	-	441	-
Total	23,200	3,200	3,001	199
LIGHTING:				
Street lighting	35,300	35,300	32,250	3,050
RECYCLING:				
Personal services	-	-	18,890	-
Operating supplies	-	-	227	-
Purchased services	-	-	700	-
Allocation of equipment costs	-	-	16,830	-
Printing	-	-	90	-
Total	42,300	43,400	36,737	6,663
Total public works	126,100	105,200	88,282	16,918

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
PUBLIC SAFETY:				
POLICE ADMINISTRATION:				
Purchased services - Police	\$ -	\$ -	\$ 341,100	\$ -
Purchased services - Legal	-	-	4,290	-
Total	<u>343,700</u>	<u>343,700</u>	<u>345,390</u>	<u>(1,690)</u>
PLANNING COMMISSION:				
Personal services	-	-	4,578	-
Operating supplies	-	-	117	-
Purchased services	-	-	6,114	-
Printing	-	-	330	-
Memberships and training	-	-	1,264	-
Total	<u>17,800</u>	<u>15,350</u>	<u>12,403</u>	<u>2,947</u>
Total public safety	<u>361,500</u>	<u>359,050</u>	<u>357,793</u>	<u>1,257</u>
DEBT SERVICE:				
MUNICIPAL BOND EXPENDITURES:				
Bond principal payments	-	-	45,000	-
Interest	-	-	62,463	-
Purchased services	-	-	500	-
Total	<u>107,900</u>	<u>108,400</u>	<u>107,963</u>	<u>437</u>
CAPITAL OUTLAY:				
Village council	<u>3,160</u>	<u>3,160</u>	<u>3,160</u>	<u>-</u>
Total	<u>3,160</u>	<u>3,160</u>	<u>3,160</u>	<u>-</u>
OTHER FINANCING SOURCES(USES)				
OPERATING TRANSFERS OUT				
Public Improvement Fund	-	193,000	193,000	-
Total	<u>-</u>	<u>193,000</u>	<u>193,000</u>	<u>-</u>
TOTAL CHARGES TO				
APPROPRIATIONS	<u>1,063,900</u>	<u>1,240,350</u>	<u>1,208,782</u>	<u>31,568</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 806,713</u>	<u>\$ 876,945</u>	<u>\$ 940,071</u>	<u>\$ 63,126</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$129,393	\$ 117,890	\$ 117,890	\$ -
Resources (Inflows):				
Motor Vehicle Highway Fund payments	112,000	112,000	109,950	(2,050)
Reimbursements	500	500	2,808	2,308
Construction contributions	-	-	792,508	792,508
Total revenues	<u>112,500</u>	<u>112,500</u>	<u>905,266</u>	<u>792,766</u>
Charges to appropriations (Outflows):				
GENERAL GOVERNMENT:				
ADMINISTRATION:				
Personal services	-	-	11,515	-
Maintenance agreements	-	-	441	-
Insurance	-	-	3,924	-
Purchased services	-	-	310	-
Total	<u>16,500</u>	<u>16,500</u>	<u>16,190</u>	<u>310</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Purchased services	-	-	57	-
Construction projects	-	-	889,568	-
Total	<u>-</u>	<u>97,100</u>	<u>889,625</u>	<u>(792,525)</u>
STREET MAINTENANCE:				
Personal services	-	-	29,043	-
Operating supplies	-	-	1,605	-
Allocation of equipment costs	-	-	15,316	-
Repairs and maintenance	-	-	2,273	-
Total	<u>46,200</u>	<u>47,100</u>	<u>48,237</u>	<u>(1,137)</u>
WINTER MAINTENANCE:				
Personal services	-	-	9,212	-
Purchased services	-	-	1,225	-
Operating supplies	-	-	5,912	-
Allocation of equipment costs	-	-	9,845	-
Total	<u>13,900</u>	<u>26,600</u>	<u>26,194</u>	<u>406</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Charges to appropriations (Outflows): (Continued)				
PUBLIC WORKS: (CONTINUED)				
TRAFFIC SERVICES:				
Personal services	-	-	5,690	-
Operating supplies	-	-	411	-
Purchased services	-	-	125	-
Allocation of equipment costs	-	-	2,479	-
Total	<u>4,900</u>	<u>9,500</u>	<u>8,705</u>	<u>795</u>
Total public works	65,000	180,300	972,761	(792,461)
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>-</u>	<u>84,500</u>	<u>84,500</u>	<u>-</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>81,500</u>	<u>196,800</u>	<u>988,951</u>	<u>(792,151)</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 160,393</u>	<u>\$ 118,090</u>	<u>\$ 118,705</u>	<u>\$ 615</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$ 81,133	\$ 74,184	\$ 74,184	\$ -
Resources (Inflows):				
Motor vehicle highway fund payments	43,800	43,800	43,319	(481)
Construction contributions	-	-	13,871	13,871
Total revenues	<u>43,800</u>	<u>43,800</u>	<u>57,190</u>	<u>13,390</u>
Charges to appropriations (Outflows):				
ADMINISTRATION:				
Personal services	-	-	11,515	-
Purchased services	-	-	358	-
Insurance	-	-	7,062	-
Maintenance agreements	-	-	441	-
Total	<u>19,600</u>	<u>19,600</u>	<u>19,376</u>	<u>224</u>
PUBLIC WORKS:				
STREET CONSTRUCTION:				
Allocation of equipment costs	-	-	58	-
Construction projects	-	-	30,193	-
Total	<u>-</u>	<u>16,500</u>	<u>30,251</u>	<u>(13,751)</u>
STREET MAINTENANCE:				
Personal services	-	-	28,200	-
Operating supplies	-	-	1,541	-
Purchased services	-	-	950	-
Repairs and maintenance	-	-	2,225	-
Allocation of equipment costs	-	-	16,056	-
Total	<u>46,800</u>	<u>48,300</u>	<u>48,972</u>	<u>(672)</u>
WINTER MAINTENANCE:				
Personal services	-	-	5,458	-
Purchased services	-	-	500	-
Operating supplies	-	-	6,486	-
Allocation of equipment costs	-	-	6,544	-
Total	<u>12,400</u>	<u>19,200</u>	<u>18,988</u>	<u>212</u>
BRIDGE MAINTENANCE:				
Personal services	-	-	56	-
Purchased services	-	-	1,800	-
	<u>10,800</u>	<u>4,000</u>	<u>1,856</u>	<u>2,144</u>

VILLAGE OF MANCHESTER
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Charges to appropriations (Outflows): (Continued)				
PUBLIC WORKS: (CONTINUED)				
TRAFFIC SERVICES:				
Personal services	\$ -	\$ -	3,129	\$ -
Operating supplies	-	-	226	-
Purchased services	-	-	125	-
Allocation of equipment costs	-	-	2,508	-
Total	<u>4,400</u>	<u>6,800</u>	<u>5,988</u>	<u>812</u>
Total public works	<u>74,400</u>	<u>94,800</u>	<u>106,055</u>	<u>(11,255)</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>50,200</u>	<u>71,200</u>	<u>71,200</u>	<u>-</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>94,000</u>	<u>114,400</u>	<u>125,431</u>	<u>(11,031)</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 81,133</u>	<u>\$ 74,784</u>	<u>\$ 77,143</u>	<u>\$ 2,359</u>

VILLAGE OF MANCHESTER
ADDITIONAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

VILLAGE OF MANCHESTER
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
ASSETS				
Cash and cash equivalents	\$ 224,539	\$ 25,602	\$ 307,437	\$ 557,578
Prepaid expenses	-	2,994	-	2,994
Due from other funds	85,458	1,946	-	87,404
Total assets	\$ 309,997	\$ 30,542	\$ 307,437	\$ 647,976
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 3,837	\$ -	\$ 3,837
Accrued payroll	-	728	-	728
Due to other funds	56,200	880	-	57,080
Total liabilities	56,200	5,445	-	61,645
Fund Balance:				
Reserved	-	-	-	-
Unreserved	253,797	25,097	307,437	586,331
Total fund balance	253,797	25,097	307,437	586,331
Total liabilities and fund balance	\$ 309,997	\$ 30,542	\$ 307,437	\$ 647,976

VILLAGE OF MANCHESTER
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	SPECIAL REVENUE FUNDS			
	MUNICIPAL STREET	PARKS AND RECREATION	PUBLIC IMPROVE- MENT	TOTAL
REVENUES:				
Taxes and penalties	\$ 122,406	\$ 50,017	\$ -	\$ 172,423
Interest income	3,268	529	2,184	5,981
Other revenue	-	660	-	660
Total revenues	<u>125,674</u>	<u>51,206</u>	<u>2,184</u>	<u>179,064</u>
EXPENDITURES:				
Current:				
Public works	151	-	-	151
Recreational & cultural	-	44,259	-	44,259
Total expenditures	<u>151</u>	<u>44,259</u>	<u>-</u>	<u>44,410</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>125,523</u>	<u>6,947</u>	<u>2,184</u>	<u>134,654</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	193,000	193,000
Operating transfers (out)	<u>(155,700)</u>	<u>-</u>	<u>-</u>	<u>(155,700)</u>
Total other financing sources (uses)	<u>(155,700)</u>	<u>-</u>	<u>193,000</u>	<u>37,300</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(30,177)</u>	<u>6,947</u>	<u>195,184</u>	<u>171,954</u>
FUND BALANCE - Beginning of year	<u>283,974</u>	<u>18,150</u>	<u>112,253</u>	<u>414,377</u>
FUND BALANCE - End of year	<u>\$ 253,797</u>	<u>\$ 25,097</u>	<u>\$ 307,437</u>	<u>\$ 586,331</u>

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2005

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2005

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/05	06/30/06	
BUSINESS TYPE ACTIVITIES								
LIMITED TAX GENERAL OBLIGATION BONDS:								
Series - B Refunding Bonds,								
Series 1993								
	08/30/93	\$ 765,000	5.55%	03/01/06	\$ 40,000	\$ 40,000	\$ -	\$ 28,275
			5.65%	03/01/07	45,000	45,000	45,000	26,055
			5.75%	03/01/08	45,000	45,000	45,000	23,512
			5.85%	03/01/09	50,000	50,000	50,000	20,925
			5.95%	3/1/10 thru 11	50,000	100,000	100,000	33,025
			6.00%	3/1/12 thru 13	50,000	100,000	100,000	21,100
			6.05%	3/1/14 thru 15	50,000	100,000	100,000	9,076
					<u>\$ 480,000</u>	<u>\$ 440,000</u>	<u>\$ 161,968</u>	
Total Limited General Obligation Bonds								
UNLIMITED TAX GENERAL OBLIGATION BONDS -								
Series - A Refunding Bonds								
	08/30/93	\$ 1,750,000	5.50%	03/01/06	\$ 95,000	\$ 95,000	\$ -	\$ 57,507
			5.60%	03/01/07	95,000	95,000	95,000	52,283
			5.70%	03/01/08	50,000	50,000	50,000	46,962
			5.80%	03/01/09	50,000	50,000	50,000	44,113
			5.90%	03/01/10	50,000	50,000	50,000	41,212
			5.90%	03/01/11	55,000	55,000	55,000	38,263
			5.95%	3/1/12 thru 13	55,000	110,000	110,000	66,762
			6.00%	3/1/14 thru 15	50,000	100,000	100,000	53,954
			6.05%	3/1/16 thru 18	50,000	150,000	150,000	58,342
			6.10%	3/1/19 thru 22	45,000	180,000	180,000	37,187
			6.10%	03/01/23	40,000	40,000	40,000	2,440
					<u>\$ 975,000</u>	<u>\$ 880,000</u>	<u>\$ 499,025</u>	
Total Unlimited Tax General Obligation Bonds								
					<u>\$ 1,455,000</u>	<u>\$ 1,320,000</u>	<u>\$ 660,993</u>	
MICHIGAN MUNICIPAL BOND AUTHORITY:								
Michigan Drinking Water Revolving Fund Progr								
	09/29/98	\$ 620,000	2.50%	04/01/06	\$ 30,000	\$ 30,000	\$ -	\$ 11,750
			2.50%	04/01/07	30,000	30,000	30,000	11,000
			2.50%	04/01/08	30,000	30,000	30,000	10,250
			2.50%	04/01/09	30,000	30,000	30,000	9,500
			2.50%	04/01/10	30,000	30,000	30,000	8,750
			2.50%	04/01/11	30,000	30,000	30,000	8,000
			2.50%	04/01/12	35,000	35,000	35,000	7,250
			2.50%	04/01/13	35,000	35,000	35,000	6,375
			2.50%	04/01/14	35,000	35,000	35,000	5,500
			2.50%	04/01/15	35,000	35,000	35,000	4,625
			2.50%	04/01/16	35,000	35,000	35,000	3,750
			2.50%	04/01/17	35,000	35,000	35,000	2,875
			2.50%	04/01/18	40,000	40,000	40,000	2,000
			2.50%	04/01/19	40,000	40,000	40,000	1,000
					<u>\$ 470,000</u>	<u>\$ 440,000</u>	<u>\$ 92,625</u>	
Total Michigan Drinking Water Revolving Fund Program								

VILLAGE OF MANCHESTER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2005

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	AMOUNT OF ANNUAL MATURITY	AMOUNT OUTSTANDING		IF HELD TO MATURITY
						06/30/05	06/30/06	
General Obligation Bonds: Series 1991	03/28/91	\$ 955,000	2.00%	10/01/05	\$ 50,000	\$ 50,000	\$ -	\$ 6,986
			2.00%	10/01/06	50,000	50,000	50,000	5,986
			2.00%	10/01/07	50,000	50,000	50,000	4,986
			2.00%	10/01/08	55,000	55,000	55,000	3,936
			2.00%	10/01/09	55,000	55,000	55,000	2,836
			2.00%	10/01/10	55,000	55,000	55,000	1,736
			2.00%	10/01/11	59,282	59,282	59,282	593
					\$ 374,282	\$ 324,282	\$ 27,059	
Special Assessment Bonds: Series 2004	03/15/04	\$ 490,000	2.00%	10/01/05	\$ 70,000	\$ 70,000	\$ -	\$ 9,075
			2.00%	10/01/06	70,000	70,000	70,000	7,675
			2.00%	10/01/07	75,000	75,000	75,000	6,225
			2.10%	10/01/08	75,000	75,000	75,000	4,688
			2.50%	10/01/09	75,000	75,000	75,000	2,963
			2.70%	10/01/10	75,000	75,000	75,000	1,011
						\$ 440,000	\$ 370,000	\$ 31,637
Total								
Total Water and Sewer Enterprise Funds								
General Obligation Bonds: Series 2000	06/29/00	\$ 1,250,000	5.50%	05/01/06	\$ 50,000	\$ 50,000	\$ -	\$ 60,400
			5.50%	05/01/07	50,000	50,000	50,000	57,650
			5.50%	05/01/08	50,000	50,000	50,000	54,900
			5.50%	05/01/09	55,000	55,000	55,000	52,150
			5.50%	05/01/10	60,000	60,000	60,000	49,125
			5.50%	05/01/11	60,000	60,000	60,000	45,825
			5.50%	05/01/12	65,000	65,000	65,000	42,525
5.50%	05/01/13	70,000	70,000	70,000	38,950			
5.50%	05/01/14	75,000	75,000	75,000	35,100			
5.50%	05/01/15	80,000	80,000	80,000	30,975			
5.55%	05/01/16	85,000	85,000	85,000	26,575			
5.60%	05/01/17	90,000	90,000	90,000	21,858			
5.65%	05/01/18	95,000	95,000	95,000	16,817			
5.70%	05/01/19	100,000	100,000	100,000	11,450			
5.75%	05/01/20	100,000	100,000	100,000	5,750			
					\$ 1,085,000	\$ 1,035,000	\$ 550,050	
Total General Government Activity								

MARKOWSKI & COMPANY

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MICHIGAN ASSOCIATION OF

CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL

OF SOUTH CENTRAL MICHIGAN

December 21, 2005
Village Council
Village of Manchester

We have audited the basic financial statements of Village of Manchester for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated October 5, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Village of Manchester. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Village of Manchester are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2005. We noted no transactions entered into by Village of Manchester during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Village of Manchester that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Village of Manchester's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

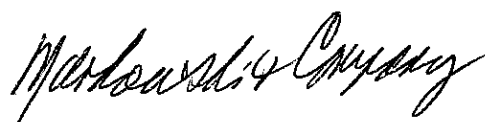
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Manchester's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Village of Manchester and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MARKOWSKI & COMPANY, CPAs